

Township of Pokagon, Michigan

**Financial Report
with Supplemental Information
March 31, 2008**

Township of Pokagon

Contents

Report Letter	I
Management's Discussion and Analysis	2-5
Basic Financial Statements	
Government-wide Financial Statements:	
Statement of Net Assets	6
Statement of Activities	7
Fund Financial Statements - Governmental Funds:	
Balance Sheet	8
Reconciliation of the Balance Sheet to the Statement of Net Assets	9
Statement of Revenue, Expenditures, and Changes in Fund Balances	10
Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	11
Notes to Financial Statements	12-18
Required Supplemental Information	19
Budgetary Comparison Schedule - General Fund	20
Budgetary Comparison Schedule - Major Special Revenue Funds - Fire Fund	21
Note to Required Supplemental Information	22

Independent Auditor's Report

To the Members of the Township Board
Township of Pokagon

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Pokagon as of and for the year ended March 31, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township of Pokagon's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Pokagon as of March 31, 2008 and the respective changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and the budgetary comparison schedules, as identified in the table of contents, are not required parts of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Plante & Moran, PLLC

September 17, 2008

Township of Pokagon

Management's Discussion and Analysis

Our discussion and analysis of the Township of Pokagon's financial performance provides an overview of the Township's financial activities for the fiscal year ended March 31, 2008. Please read it in conjunction with the Township's financial statements.

Financial Highlights

As discussed in further detail in this discussion and analysis, the following represents the most significant financial highlight for the year ended March 31, 2008:

- State-shared revenue, our second largest revenue source, remained stable this year. The Township's continued monitoring of expenditures resulted in a fund balance increase of approximately \$22,000 in the General Fund.

Using this Annual Report

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

The fund financial statements present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements by providing information about the Township's most significant funds.

Township of Pokagon

Management's Discussion and Analysis (Continued)

The Township as a Whole

The following table shows, in a condensed format, the net assets as of March 31, 2008, 2007, and 2006:

	Governmental Activities		
	2008	2007	2006
Assets			
Current assets	\$ 1,344,834	\$ 1,214,608	\$ 1,240,605
Noncurrent assets	553,801	476,090	208,976
Total assets	1,898,635	1,690,698	1,449,581
Current Liabilities	47,058	9,315	10,248
Net Assets			
Invested in capital assets	553,801	476,090	208,976
Restricted	295,382	225,019	323,811
Unrestricted	1,002,394	980,274	906,546
Total net assets	<u><u>\$ 1,851,577</u></u>	<u><u>\$ 1,681,383</u></u>	<u><u>\$ 1,439,333</u></u>

The Township's net assets increased approximately 10 percent from a year ago - increasing from \$1,681,383 to \$1,851,577. Unrestricted net assets - the part of net assets that can be used to finance day-to-day operations - increased by approximately \$22,000. This represents an increase of approximately 2 percent. The current level of unrestricted net assets for our governmental activities stands at \$1,002,394.

Township of Pokagon

Management's Discussion and Analysis (Continued)

The following table shows the changes in net assets during the current year as compared to the years ending March 31, 2007 and 2006:

	Governmental Activities		
	2008	2007	2006
Revenue			
Program revenue:			
Charges for services	\$ 27,677	\$ 28,130	\$ 39,002
Operating grants and contributions	11,591	11,112	12,108
Capital grants and contributions	-	76,581	4,800
General revenue:			
Property taxes	221,717	202,477	190,426
State-shared revenue	151,292	150,318	150,601
Unrestricted investment earnings	50,841	54,513	34,544
Other revenue	5,474	6,062	6,944
Total revenue	468,592	529,193	438,425
Program Expenses			
General government	129,300	125,825	123,878
Public safety	141,229	139,141	120,258
Community and economic development	27,869	22,177	17,236
Total program expenses	298,398	287,143	261,372
Change in Net Assets	\$ 170,194	\$ 242,050	\$ 177,053

Governmental Activities

The Township's total governmental revenues decreased by approximately \$61,000. The decrease was mostly due to the Township not receiving a federal grant in 2008.

Expenses increased by about \$11,000 during the year. This is due mostly to an increase in utilities, wages, and costs related to fire services and the cemetery.

Township of Pokagon

Management's Discussion and Analysis (Continued)

The Township's Funds

Our analysis of the Township's major funds begins on page 8, following the government-wide financial statements. The fund financial statements provide detail information about the most significant funds, not the Township as a whole. The Township board creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millages for fire and ambulance services. The Township's major funds for 2008 include the General Fund and the Fire Fund.

The General Fund pays for most of the Township's governmental services. The most significant was community and economic development, which incurred expenses of approximately \$102,000 in 2008 for road improvements.

General Fund Budgetary Highlights

There were no significant differences between budgeted and actual revenue amounts in 2008. Expenditures were less than budgeted by approximately \$44,000 due to cost containment measures and moving projects into fiscal 2009.

Capital Asset and Debt Administration

The major capital additions during the current year related to various road improvement projects, including Commercial and Frost Road, which totaled approximately \$102,000. No debt was incurred related to this project.

Economic Factors and Next Year's Budgets and Rates

The Township is anticipating 1,500 acres of property coming off the tax rolls once the Pokagon Band of Potawatomi Indians' application is approved for trust status. The Township believes the effect of this transaction on revenue will be minimal.

Contacting the Township's Management

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the clerk's office.

Township of Pokagon

Statement of Net Assets March 31, 2008

	Governmental Activities
Assets	
Cash and cash equivalents (Note 3)	\$ 480,713
Investments (Note 3)	847,792
Receivables - Net (Note 4)	16,329
Capital assets - Net (Note 5)	<u>553,801</u>
Total assets	1,898,635
Liabilities	
Accounts payable	46,038
Accrued liabilities	<u>1,020</u>
Total liabilities	47,058
Net Assets	
Invested in capital assets	553,801
Restricted:	
Cemetery	94,897
Fire	186,167
Ambulance	14,318
Unrestricted	<u>1,002,394</u>
Total net assets	<u><u>\$ 1,851,577</u></u>

Township of Pokagon

Statement of Activities Year Ended March 31, 2008

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government - Governmental Activities
Primary government -					
Governmental activities:					
General government	\$ 129,300	\$ 2,375	\$ -	\$ -	\$ (126,925)
Public safety	141,229	22,072	-	-	(119,157)
Community and economic development	27,869	3,230	11,591	-	(13,048)
Total primary government	<u>\$ 298,398</u>	<u>\$ 27,677</u>	<u>\$ 11,591</u>	<u>\$ -</u>	(259,130)
General revenues:					
Property taxes					221,717
State-shared revenue					151,292
Unrestricted investment earnings					50,841
Other revenue					5,474
Total general revenues					<u>429,324</u>
Change in Net Assets					170,194
Net Assets - Beginning of year					<u>1,681,383</u>
Net Assets - End of year					<u>\$ 1,851,577</u>

Township of Pokagon

Governmental Funds Balance Sheet March 31, 2008

			Nonmajor Funds		
			Cemetery	Ambulance	Total
			Special	Special	Governmental
	General Fund	Fire Special	Revenue Fund	Revenue Fund	Funds
		Revenue Fund			
Assets					
Cash and cash equivalents	\$ 323,232	\$ 51,637	\$ 94,897	\$ 10,947	\$ 480,713
Investments	686,199	160,442	-	1,151	847,792
Receivables - Net	3,410	10,699	-	2,220	16,329
Total assets	<u>\$ 1,012,841</u>	<u>\$ 222,778</u>	<u>\$ 94,897</u>	<u>\$ 14,318</u>	<u>\$ 1,344,834</u>
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ 9,427	\$ 36,611	\$ -	\$ -	\$ 46,038
Accrued and other liabilities	1,020	-	-	-	1,020
Total liabilities	10,447	36,611	-	-	47,058
Fund Balances					
Reserved for cemetery	-	-	94,897	-	94,897
Unreserved, reported in:					
General Fund	1,002,394	-	-	-	1,002,394
Special Revenue Funds	-	186,167	-	14,318	200,485
Total fund balances	<u>1,002,394</u>	<u>186,167</u>	<u>94,897</u>	<u>14,318</u>	<u>1,297,776</u>
Total liabilities and fund balances	<u>\$ 1,012,841</u>	<u>\$ 222,778</u>	<u>\$ 94,897</u>	<u>\$ 14,318</u>	<u>\$ 1,344,834</u>

Township of Pokagon

Governmental Funds Reconciliation of the Balance Sheet to the Statement of Net Assets March 31, 2008

Fund Balance Reported in Governmental Funds	\$ 1,297,776
Amounts reported for governmental activities in the statement of net assets are different because capital assets used in governmental activities are not financial resources and are not reported in the funds	<u>553,801</u>
Net Assets of Governmental Activities	<u>\$ 1,851,577</u>

Township of Pokagon

Governmental Funds

Statement of Revenue, Expenditures, and Changes in Fund Balances

Year Ended March 31, 2008

			Nonmajor Funds		
			Cemetery	Ambulance	
			Special	Special	
	General Fund	Fire Special	Revenue Fund	Revenue Fund	Total
Revenue		Revenue Fund			
Property taxes	\$ 49,954	\$ 151,163	\$ -	\$ 20,600	\$ 221,717
Fees and permits	24,097	-	-	-	24,097
State sources	162,883	-	-	-	162,883
Interest income	43,021	3,563	4,202	55	50,841
Other	7,179	-	1,875	-	9,054
Total revenue	287,134	154,726	6,077	20,655	468,592
Expenditures - Current					
General government	126,517	-	-	-	126,517
Public safety	20,449	96,865	-	14,230	131,544
Community and economic development	118,048	-	-	-	118,048
Total expenditures	265,014	96,865	-	14,230	376,109
Net Change in Fund Balances	22,120	57,861	6,077	6,425	92,483
Fund Balances - Beginning of year	980,274	128,306	88,820	7,893	1,205,293
Fund Balances - End of year	<u><u>\$ 1,002,394</u></u>	<u><u>\$ 186,167</u></u>	<u><u>\$ 94,897</u></u>	<u><u>\$ 14,318</u></u>	<u><u>\$ 1,297,776</u></u>

Township of Pokagon

Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended March 31, 2008

Net Change in Fund Balances - Total Governmental Funds	\$ 92,483
---	------------------

Amounts reported for governmental activities in the statement of activities are different because governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:

Additions	102,092
Depreciation	<u>(24,381)</u>

Change in Net Assets of Governmental Activities	<u>\$ 170,194</u>
--	--------------------------

Township of Pokagon

Notes to Financial Statements March 31, 2008

Note 1 - Nature of Business and Significant Accounting Policies

The accounting policies of the Township of Pokagon (the "Township") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Township of Pokagon:

Reporting Entity

The Township of Pokagon is governed by an elected five-member board of trustees. The accompanying financial statements present the activities of the Township. There are no component units to be included in these financial statements in accordance with accounting principles generally accepted in the United States of America.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are normally supported by taxes and intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Township of Pokagon

Notes to Financial Statements March 31, 2008

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The following major revenue sources meet the availability criterion: state-shared revenue and interest associated with the current fiscal period.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

The Township reports the following major governmental funds:

General Fund - The General Fund is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. General Fund activities are financed by revenue from property taxes, state-shared revenue, and other sources.

Special Revenue Fund - Fire Fund - The Fire Fund accounts for resources from a property tax levy restricted for payments to contracted local fire departments.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenue include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Property Tax Revenue

Property taxes are levied on each December 1 on the taxable valuation of property as of the preceding December 31. Taxes are considered delinquent on March 1 of the following year, at which time penalties and interest are assessed.

The Township's 2007 tax is levied and collectible on December 1, 2007 and is recognized as revenue in the year ended March 31, 2008, when the proceeds of the levy are budgeted and available for the financing of operations.

Township of Pokagon

Notes to Financial Statements March 31, 2008

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

The 2007 taxable valuation of the Township totaled \$63.1 million, on which taxes levied consisted of 0.7803 mills for operating purposes. There were also taxes levied for fire and ambulance services (with varying taxable properties and millages). This resulted in approximately \$50,000 for operating, \$151,000 for contracted fire services, and \$21,000 for contracted ambulance services. These amounts are recognized in the respective General and Special Revenue Funds financial statements as tax revenue.

Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds." All trade and property tax receivables are shown as net of allowance for uncollectible amounts.

Capital Assets - Capital assets, which include property and equipment, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Land improvements	40 years
Buildings and improvements	40 years
Public safety vehicle	25 years
Road improvements	20 years

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Township of Pokagon

Notes to Financial Statements March 31, 2008

Note 2 - Stewardship, Compliance, and Accountability

Construction Code Fees - The Township oversees building construction, in accordance with the State's Construction Code Act, including inspection of building construction and renovation to ensure compliance with the building codes. The Township charges fees for these services. The law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. A summary of the current year activity and the cumulative surplus or shortfall generated since January 1, 2000 is as follows:

Shortfall at April 1, 2007		\$	(7,815)
Current year permit revenue			22,572
Related expenses:			
Direct costs	\$	20,449	
Estimated indirect costs		<u>9,762</u>	<u>30,211</u>
Current year shortfall			<u>(7,639)</u>
Cumulative shortfall at March 31, 2008		\$	<u>(15,454)</u>

Note 3 - Deposits and Investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. A local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Township has designated three banks for the deposit of its funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investments in compliance with the state statutory authority as listed above. The Township's deposits and investment policies are also in accordance with statutory authority.

Township of Pokagon

Notes to Financial Statements March 31, 2008

Note 3 - Deposits and Investments (Continued)

The Township's cash and investments are subject to two types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. The Township does not have a deposit policy for custodial credit risk. At year end, the Township had \$125,435 of bank deposits (certificates of deposit, checking, and savings accounts) that were uninsured and uncollateralized. The Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Township evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Credit Risk

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The Township has no investment policy that would further limit its investment choices. As of year end, the credit quality ratings of debt securities (other than U.S. government) are as follows:

Investment	Fair Value	Rating	Rating Organization
Fidelity Institutional Money Market Funds	\$ 847,792	Aaa	Moody's
Michigan Cooperative Liquid Assets Securities	59,394	Aaa	Fitch

Note 4 - Receivables

Receivables as of year end for the Township's individual major funds and the aggregate nonmajor funds are as follows:

	General Fund	Fire Special Revenue Fund	Nonmajor Funds	Total
Receivables - Taxes	\$ 3,410	\$ 10,699	\$ 2,220	\$ 16,329

Township of Pokagon

Notes to Financial Statements March 31, 2008

Note 5 - Capital Assets

Capital asset activity of the Township's governmental activities was as follows:

Governmental Activities	Balance April 1, 2007	Additions	Balance March 31, 2008
Capital assets not being depreciated -			
Land	\$ 14,648	\$ -	\$ 14,648
Capital assets being depreciated:			
Land improvements	7,362	-	7,362
Buildings and improvements	97,145	-	97,145
Public safety vehicle	242,133	-	242,133
Road improvements	170,196	102,092	272,288
Office furnishings	42,674	-	42,674
Subtotal	559,510	102,092	661,602
Accumulated depreciation:			
Land improvements	4,305	168	4,473
Buildings and improvements	26,541	2,234	28,775
Public safety vehicle	19,490	9,413	28,903
Road improvements	10,700	11,730	22,430
Office furnishings	37,032	836	37,868
Subtotal	98,068	24,381	122,449
Net capital assets being depreciated	461,442	77,711	539,153
Net capital assets	<u>\$ 476,090</u>	<u>\$ 77,711</u>	<u>\$ 553,801</u>

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities:	
General government	\$ 2,783
Public safety	9,685
Community and economic development	<u>11,913</u>
Total governmental activities	<u>\$ 24,381</u>

Township of Pokagon

Notes to Financial Statements March 31, 2008

Note 6 - Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation). The Township participates in the Michigan Townships Participating Plan for all claims.

The Michigan Townships Participating Plan operates as an insurance purchasing pool for local units of government in Michigan. The plan purchases commercial insurance on behalf of its members at a lower cost than would be available on an individual basis.

Required Supplemental Information

Township of Pokagon

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended March 31, 2008

	Original/ Amended Budget	Actual	Variance with Budget
Revenue			
Property taxes	\$ 46,550	\$ 49,954	\$ 3,404
Fees and permits	28,170	24,097	(4,073)
State sources	165,600	162,883	(2,717)
Interest income	35,000	43,021	8,021
Other	7,100	7,179	79
Total revenue	282,420	287,134	4,714
Expenditures - Current			
General government:			
General	31,430	23,679	(7,751)
Supervisor	35,470	33,995	(1,475)
Treasurer	16,250	15,658	(592)
Board of review	850	971	121
Clerk	15,800	15,027	(773)
Elections	1,000	1,905	905
Township hall	16,800	8,385	(8,415)
Cemetery	17,230	17,086	(144)
Other	14,700	9,811	(4,889)
Total general government	149,530	126,517	(23,013)
Public safety	24,530	20,449	(4,081)
Community and economic development	134,860	118,048	(16,812)
Total expenditures	308,920	265,014	(43,906)
Net Change in Fund Balance	(26,500)	22,120	48,620
Fund Balance - Beginning of year	980,274	980,274	-
Fund Balance - End of year	<u>\$ 953,774</u>	<u>\$ 1,002,394</u>	<u>\$ 48,620</u>

Township of Pokagon

Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Funds Fire Fund Year Ended March 31, 2008

	Original/ Amended Budget	Actual	Variance with Budget
Revenue			
Property taxes	\$ 141,628	\$ 151,163	\$ 9,535
Interest income	7,600	3,563	(4,037)
Total revenue	149,228	154,726	5,498
Expenditures - Current - Public safety	94,260	96,865	2,605
Net Change in Fund Balance	54,968	57,861	2,893
Fund Balance - Beginning of year	128,306	128,306	-
Fund Balance - End of year	<u>\$ 183,274</u>	<u>\$ 186,167</u>	<u>\$ 2,893</u>

Township of Pokagon

Note to Required Supplemental Information Year Ended March 31, 2008

Note - Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund and Fire Special Revenue Fund. All annual appropriations lapse at fiscal year end. The Township supervisor prepares the budget 30 to 60 days prior to year end after consulting with department heads. The budget is submitted to the board for approval in late March, and was not amended during the year.

The budget document presents information by fund, function, department, and line items. The legal level of budgetary control adopted by the governing body is the department level.

Encumbrance accounting is not employed in governmental funds. Amounts encumbered for purchase orders, contracts, etc. are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

There were no significant expenditure budget overruns for the fiscal year ended March 31, 2008.

Township of Pokagon, Michigan

Report to the Township Board

March 31, 2008



Plante & Moran, PLLC

Suite 120
511 Renaissance Drive
St. Joseph, MI 49085
Tel: 269.982.8000
Fax: 269.982.2800
plantemoran.com

To the Township Board
Pokagon Township

We have recently completed our audit of the basic financial statements of Pokagon Township (the "Township") for the year ended March 31, 2008. In addition to our audit report, we are providing the following letter of increased audit communications, required audit communication, recommendations, and informational comments which impact the Township:

	<u>Page</u>
Report on Internal Control	2-3
Results of the Audit	4-6

We are grateful for the opportunity to be of service to Pokagon Township. Should you have any questions regarding the comments in this report, please do not hesitate to call.

Plante & Moran, PLLC

September 17, 2008

Report on Internal Control

September 17, 2008

To the Township Board
Pokagon Township

Dear Board Members:

Beginning with last year's audit, national auditing standards call for auditors to communicate matters to the governing body that may be useful in its oversight of the Township's financial management. Specifically, they require us to report internal control issues to the governing body that may be relatively minor, in order to allow it to evaluate their significance, and make any changes it may deem appropriate. In general, these are items that would have been discussed orally with management in the past. The purpose of these new standards is to allow the governing body an opportunity to discuss issues when they are relatively minor, rather than waiting until they become more serious problems. We hope this report on internal control will be helpful to you and we look forward to being able to discuss any questions you may have concerning these issues.

In planning and performing our audit of the financial statements of Pokagon Township as of and for the year ended March 31, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the Township's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiency to be a significant deficiency in internal control.

- During our audit, we identified expenses related to the Fire Fund that were improperly excluded from accounts payable. Based on our discussion with members of the Township board, expenses related to the Indian Lake Volunteer Fire Department and Pokagon Volunteer Fire Department for services performed prior to year end were not paid until June 2008. Therefore, the invoices were not included in the Township's accounts payable listing at year end. As a result, the accounts payable balance was understated.

We would also like to offer the following suggestion to further enhance existing controls:

- During our testing of cash, we noted bank reconciliations are performed monthly by the treasurer and reviewed by the trustees. However, there is no documentation of the review process. We suggest the bank reconciliations be initialed and dated by the treasurer once prepared, followed by a trustee's initials and date to indicate the review is done. These procedures will provide a much stronger audit trail in the future. In addition, we noted the bank reconciliation for the Tax Fund is not currently included in the review process and we suggest the Tax Fund reconciliation be added to this process.

This communication is intended solely for the information and use of the Township board and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Plante & Moran, PLLC

A handwritten signature in cursive script that reads "Sharon L. Vargo".

Sharon L. Vargo, Partner

Results of the Audit

September 17, 2008

To the Township Board
Pokagon Township

We have audited the financial statements of Pokagon Township for the year ended March 31, 2008 and have issued our report thereon dated September 17, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated July 30, 2008, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. We are responsible for planning and performing the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement. As part of our audit, we considered the internal control of Pokagon Township. Our consideration of internal control was solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters and our audit of the financial statements does not relieve you or management of your responsibilities.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on August 25, 2008.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Pokagon Township are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2008.

We noted no transactions entered into by the Township during the year for which there is a lack of authoritative guidance or consensus.

There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements, which included recording accounts payable at year end.

Disagreements with Management

For the purpose of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management's Representations

We have requested certain representations from management that are included in the management representation letter dated September 17, 2008.

Management's Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

In the normal course of our professional association with the Township, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting the Township, and business plans and strategies that may affect the risks of material misstatement.

This information is intended solely for the use of the Township board and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Plante & Moran, PLLC

A handwritten signature in black ink that reads "Sharon L. Vargo". The signature is written in a cursive, flowing style.

Sharon L. Vargo, Partner